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THIS IS UNEVALUATED INFORMATION

1. Military expenditures resulting from the Korean war have created an ever-increasing deficit for Communist China. This deficit is partially covered by increased issuance of banknotes. Figures from the Committee of Finance and Economics of the Government Administration Council indicate that JPY 2,250,000,000,000 were issued between 1 July and 1 December 1950.

2. To meet the threat of inflation, the Committee of Finance and Economics is taking the following steps:

- a. Ordering the large administrative regions to complete collection of the grain levy for the current year.
- b. Ordering the large administrative regions to complete tax collection as required by law, and to observe strictly the regulations for daily and periodic (i.e. every 10 days) reports of tax collections.
- c. Considering an increase of taxes on non-necessities and levy of a tariff on exports.
- d. Ordering government firms to make all efforts to sell their non-military supplies.
- e. Attempting to collect over-due subscriptions on the first issue of 1950 Victory Bonds.
- f. Considering a second issue of Victory Bonds.
- g. Suspending all reconstruction projects not included in the national budget.

* Comment. Although this figure may seem fantastic, the failures of the Communist tax program and military requirements in Korea make it more credible.

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